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Via email to info@rggi.org

Andrew McKeon, Executive Director
Regional Greenhouse Gas Initiative, Inc.
90 Church Street, 4th Floor
New York, NY 10007

Re: RGGI Program Review Comments

Dear Mr. McKeon:

These comments address provisions of potential program changes discussed during the September 26, 2023, Regional Greenhouse Gas Initiative (RGGI) program review meeting. The Independent Power Producers of New York, Inc. (IPPNY) appreciates that the RGGI states are providing more time, beyond the initial October 24, 2023, date, to provide feedback. Our comments address the following topics: the need for more explicit modeling of the role of dispatchable emission free resources (DEFERs); factors that must be considered in determining the RGGI cap trajectory through 2040; the need for a safety valve based upon the provision of New York's Climate Leadership and Community Protection Act (CLCPA); the need for more justification for changing the RGGI compliance period; and the need for the RGGI Emissions Dashboard to be consistent with information that is publicly available on the RGGI CO2 Allowance Tracking System (COATS).

IPPNY Background

IPPNY, established in 1986, is New York's premier trade association dedicated to representing the largest fleet of clean energy generating companies in New York State and companies involved in: the competitive power supply industry; the development of electric generating facilities; the generation, sale, and marketing of electric power; and natural gas transmission facilities. IPPNY does not represent investor-owned utilities or power authorities.

IPPNY Member companies produce the majority of New York's electricity, which powers our state's economy. Our Members' facilities use all fuel sources, such as: wind, solar, hydro, energy storage, natural gas, low sulfur oil, waste-to-energy, biomass, and nuclear. In combination, these resources maintain electric system reliability for more than 19 million New Yorkers every day. Additionally, since 2000, through the implementation of competitive electricity markets and regulatory requirements, power producers in New York State have reduced emissions of sulfur dioxide by 99 percent, nitrogen oxides by 92 percent, and carbon dioxide by 46 percent.

Our Member companies have been awarded more than half of the renewable energy credit contracts from the New York State Energy Research and Development Authority (NYSERDA) and are leading proponents of meeting the State's energy goals, while maintaining reliability. Further, IPPNY Members are operating the facilities, and making investments in additional ones, to achieve the CLCPA's targets. Our Members have invested more than \$10 billion in capital improvements at their facilities, employ

over 10,000 people across the State, and pay approximately \$1.7 billion in local property taxes annually.

Dispatchable Emission Free Resources

During the September 26 RGGI meeting, a RGGI representative made a statement that fuels for meeting the CLCPA's zero emissions electricity system by 2040 target (100 by 40 target) are somehow included in the modeling. Maybe that information is part of the "other" category on the slide that shows the State Capacity Mix. This slide needs to more specifically account for the amount of DEFRRs that will be needed to meet the CLCPA's 2040 target. In addition, the RGGI states should model a scenario that reflects delays in the deployment of both DEFRRs and renewable energy resources.

As noted by the New York Independent System Operator (NYISO), E3, and the New York State Department of Public Service staff, approximately 17-45 gigawatts of DEFRRs will be needed to meet system reliability needs by 2040. The New York State Public Service Commission (PSC) is in the process of determining which technologies are zero emissions sources, under Public Service Law (PSL) Section 66-p, to meet the CLCPA's 100 by 40 target while maintaining system reliability. Among the sources being considered are new and advanced nuclear, long-duration storage, biofuels, hydrogen, renewable natural gas, and carbon capture and sequestration.

RGGI Cap Trajectory

Another discussion topic at the September 26 RGGI meeting was how to change the RGGI cap trajectory from 2030 through 2040; of note is a potential cap that reaches zero in 2035, which would be more aggressive than New York's CLCPA's 100 by 40 target. Changing the potential RGGI cap, to extend it to 2040, needs to be reconciled with New York State's efforts to develop programs to meet the CLCPA's 2040 target.

The RGGI cap decline should be linked to the expected deployment of: renewable energy resources; zero emission sources (including DEFRRs) to replace existing emitting resources for compliance with the CLCPA's targets; and electrification of other sectors to displace their carbon emissions. The cap should be designed to adjust to ensure it is not unreasonably restrictive or too loose. Too steep or quick of a cap decline would most likely present compliance problems due to the unavailability of zero emission sources, depending upon whether the PSC (and entities in other RGGI states) develop a program in a timely manner to determine which technologies and fuels are eligible to be zero emission sources, what market-based mechanism should be established to secure them, and how and when they will come online to meet the 2040 target.

RGGI, Inc. should form a technical advisory group, made up of experts from the NYISO, the New York State Reliability Council (NYSRC), corresponding entities in the other RGGI states, electric generating companies, and utilities. The advisory group would inform the model inputs and scenarios and identify some of the limitations of the Integrated Planning Model. As an example, the technical advisory group could assist in the design and interpretation of a model sensitivity that aligns with the scenarios identified in the NYISO's 2021-2024 System & Resource Outlook but that contemplates a slower ramp rate for the build-out of renewable energy resources relative to the CLCPA's 100 by 40 target. The analyses would address the recent reliability risk, identified in the NYISO's 2023 second quarter Short-Term Assessment of Reliability owing to retirement of fossil-based generation faster than the pace of construction of renewable energy resources in the downstate area. The added technical expertise provided by the proposed advisory group would improve the real-world value of the model output and therefore inform expectations for reducing carbon emissions. NYSERDA should lead the RGGI states in forming and engaging the advisory group as soon as possible and coordinate the group's efforts with

the RGGI modeling efforts and NYSERDA's modeling activities for New York's Economy-Wide Cap-and-Invest (NYCI) program.

Safety Valve

The RGGI states should include a safety valve as an additional RGGI programmatic feature. RGGI has the Cost Containment Reserve and the Emissions Containment Reserve, but these elements are not a safety valve approach to allow the RGGI program to be affirmatively changed to address reliability, if needed, in alignment with the CLCPA's provision that allows the PSC to modify its programs to maintain reliability. A safety valve would allow New York and the other RGGI states to monitor the implementation of the RGGI and NYCI programs and adjust them, if there is any indication that the programs are having, or potentially could have, negative impacts on reliability.

The NYS Climate Action Council's Scoping Plan (Plan) includes a process for transitioning away from the operation of fossil-fueled facilities to zero-emission facilities. The Plan also indicates that the State should conduct biennial evaluations to assess electric system reliability, in consultation with the NYISO and the NYSRC. Additionally, the Plan notes that, by July 1, 2024, and every two years thereafter, the PSC is required, under PSL Section 66-p, to issue a comprehensive review of progress in meeting the CLCPA's 70 percent by 2030 renewable energy systems target (70 by 30 target) and the 100 by 40 target. This biennial evaluation and the PSC's review would inform the use of the safety valve, if there are insufficient zero emissions sources, especially DEFRs, to maintain reliability as the whole New York State economy electrifies. Subdivision 4 of PSL Section 66-p allows the PSC to temporarily suspend or modify the 70 by 30 and the 100 by 40 targets, if the PSC finds that "the program impedes the provision of safe and adequate electric service," (i.e., electric system reliability). The RGGI states should include a similar process to ensure the cap is not unreasonable and to safeguard reliability under the RGGI program.

Compliance Period

Among changes to the RGGI program considered at the September 26 meeting is having an annual 100 percent allowance coverage requirement every year, instead of the current three-year compliance period. A review of the Compliance Summary Report since 2009 within RGGI COATS shows that, across the RGGI region, 13 facilities out of 283 sources have been non-compliant, and two of those are coal-powered ones that are no longer operating.

RGGI initially created a three-year compliance program to provide flexibility for compliance entities to account for weather variations, fuel price fluctuations, unit dispatch, etc. The multiyear compliance period also helps smooth out allowance costs and address potential market manipulation concerns. The interim compliance period requirement was added to address the specific issue of a few units not meeting their compliance obligations. It is unclear how an annual compliance requirement will address that infrequent situation, while penalizing the majority of compliant units by taking away flexibility in procuring and managing allowances. The RGGI states should provide a more detailed explanation of their reasoning for considering this change.

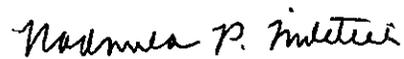
If the RGGI states are considering switching to an annual compliance period to provide consistency with the compliance timeframe of other allowance programs, they should be aware that a main difference between RGGI and those other programs is that the other programs do not allocate allowances primarily through an auction. RGGI was designed to have flexibility options to achieve the required program objectives in the most cost-effective manner. Shrinking the amount of time between allowance true-up periods (from three years to one year) could inappropriately increase costs when allowance prices fluctuate without a commensurate benefit.

RGGI Emissions Dashboard

The RGGI states have created a draft publicly available interactive RGGI Emissions Dashboard to provide emissions and other data on RGGI-covered facilities. The User Guide indicates that the dashboard “displays carbon dioxide (CO2) emissions and other data for facilities covered by RGGI across the participating RGGI states” and that “data for this dashboard was sourced in 2023 from the U.S. Environmental Protection Agency (EPA) Clean Air Markets Program Data.” It is important to ensure that the information on the dashboard is completely consistent with what is publicly available on RGGI COATS. The dashboard should not contain more information than RGGI COATS and should not extrapolate information further beyond what it publicly reported to the EPA.

Thank you for the opportunity to provide these comments. Please feel free to contact me if you have any questions or need further information.

Sincerely,



Radmila P. Miletich
Legislative & Environmental Policy Director